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HANDLING INDICATOR

TO : DEPARTMENT OF STATE

1966 OCT 14 PM 2 23

ANALYSIS BRANCH

FROM : Amembassy, Rome

DATE: October 13, 1966

SUBJECT: CIVAIR: Press Discussion of Bilateral Negotiations

REF : --

The attached article by C[illegible]egio Lourier from Il Giorno of September 29, 1966, may be of interest because it apparently reflects a feeling at Civilavia that it would be unfortunate if a new bilateral agreement were not concluded before the old one expires. Otherwise, the arguments presented are familiar and the tone one of cautious optimism that Washington may be more understanding of Italy's position this time around.

REINHARDT

DEPARTMENT OF STATE A/CDC/MR
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From: Rome
A-317
Enclosure 1

IL GLOBO, September 29, 1966

AEROSPACE CHRONICLES

The terms of the dispute between Italy and the USA for the renewal of an aeronautical agreement.

Our rights are more than well founded and it seems that Washington shows comprehension for them. Restrictions that could arise from a failure to reach understanding.

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On June 1, 1967, aircraft traffic for passenger and freight transport serving between the United States and Italy will be regulated through release of temporary authorizations on behalf of the Governments of Washington and Rome unless an agreement between the two has been reached to substitute for the previous agreement which was denounced by the Foreign Ministry on Civilavia's request on May 31, 1966.

A regime of temporary authorizations presents serious inconveniences. Its temporary nature and consequent air traffic restrictions, would prevent the carr iers to prepare one of the two schedules that have become customary - from April to October and from October to April every year. The absence of stability in services offered disturbs the market, since the carriers cannot guarantee service beyond the expiration of each temporary authorization.

Temporary authorizations lead to frequent revisions of schedules, as each request of either side obviously demands reciprocal compensation, and therefore negotiations, probable interruptions, crises, accommodations and compromises, that can be avoided only when a firm agreement exists.

Two Monologues

Unofficial diplomatic soundings on both sides, following the denunciation of the postwar agreement so far, have shown only the general orientation of each, and have resulted in agreement that it will be necessary to bring the two sides closer together in order to find a basis for a common understanding. After four months of formal "break", which leaves only another eight months before the present agreement expires, the time has come to supplant the two monologues on either side of the Atlantic with a dialogue in Rome.

It would be over optimistic to hope that agreement can be reached after the first meeting between qualified American and Italian members of civil aeronautics administrations with the eventual cooperation of diplomats and the counsel of the air carriers which operate between the two countries. It is probable that the talks will serve to clarify, better than in previous negotiations, those principles on which to base a compromise, and show that

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only a compromise can overcome a situation of notorious disagreement and permit air service to continue. The Italian position is clear: equal rights rendered effective by concessions on both sides.

The concession of ports of call in Italian territory and in territories subject to American sovereignty, either as airline terminal or as transit points to reach third countries, must be balanced. The capacity offered on common routes as well as intermediate stops along the route across other states or continuing beyond the limits of Italy and of the United States, must equitably be divided, as to seats and cargo area offered, frequencies, and speeds, in order to provide each country's carriers with balanced rights, while maintaining the principle of competition insofar as advertising is concerned.

With both sides starting from a position of parity, higher load factors will be achieved by the carriers that are able to attract more customers, but the phenomenon of a three to one ratio in capacity offered should not be allowed to exist, nor such a major inequality in rights conceded to one of the parties as occurred in favor of the United States in 1948, when Italy's only goal was to resume air travel in foreign skies, which had been forbidden by the Armistice.

Different Advantages

The principle of the quantitive competition is not thwarted by an honest appraisal of the demand on which the capacity offered is based, with periodic revisions when the entry into service of new aircraft may alter future prospects. But it is neither sound nor legitimate competition when the other side demands almost complete freedom of the air in our country as well as intermediate stops and beyond points in all directions, while refusing us terminal landing rights and, above all, transit rights on their airports.

It is a well known fact that now three American companies fly regularly to Italy - TWA, PAA and Seaborn (sic) - whereas our only line is Alitalia. It is also well known that the number of flights between Rome and Milan on one side, and New York on the other, is more frequently flown by American planes than Italian planes; notwithstanding that, our aircraft are more fully loaded on the North Atlantic route. Only recently, the Americans introduced jet airplanes in all-cargo service to substitute for slower propeller-driven airplanes and unbalanced the equilibrium of service with our carrier. Still more recently, American airlines have tried to duplicate our productive traffic in Africa, in reciprocity with local carriers in the less developed countries. The Government of the United States has requested this for her own companies, while Italy and Mexico had to resort to devious measures so that Alitalia airplanes could continue from New York to Mexico City under the Mexican flag.

In order not to suffer the serious restrictions of temporary authorizations,

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Americans and Italians will have to find a way to an understanding. Given the present imbalance to our disadvantage, this way will require effective understanding on the part of Washington. Italy will not fail to respond with good will, which is guaranteed by the spirit in which the responsible officers of the Administration of Civil Aviation are preparing to deal with their American opposite numbers. In the last analysis, the two governments must as a matter of policy put an end to a dispute that is based on tangible interests and can thus be resolved by way of a compromise.

Giorgio Lourier

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